

Notice of Annual General Meeting and Explanatory Memorandum

Metallica Minerals Limited ACN 076 696 092

Date of Meeting: 22 November 2012

Time of Meeting: 4.00 pm (Brisbane time)

Place of Meeting: HopgoodGanim Lawyers
Level 7, Waterfront Place
1 Eagle Street
Brisbane, Queensland

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of **Metallica Minerals Limited ACN 076 696 092 (Metallica or Company)** will be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane on Thursday 22 November 2012, commencing at 4.00 pm (Brisbane time).

Agenda

Ordinary business

Audited Financial Statements

Consideration and discussion of Audited Financial Statements for the year ended 30 June 2012 (**Audited Financial Statements**), which are being circulated to Shareholders who have elected to receive a paper copy of the Company's reports in the attached Annual Report. Shareholders who have given the Company an election to receive an electronic copy of the Company's reports and Shareholders from whom the Company has not received an election as to how they wish to receive the Company's reports can directly access the Audited Financial Statements on the Company's website at www.metallicaminerals.com.au/z_news-frameset.htm and by selecting the link, under Annual Reports for 2012, titled "Period Ending 30 June 2012", which was released to the ASX on 24 September 2012.

Resolution 1 – Remuneration Report

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That the Company be authorised to adopt the Remuneration Report for the year ended 30 June 2012".

Terms used in this Notice of Meeting are defined in Section 10 of the accompanying Explanatory Memorandum.

The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

Voting Restriction pursuant to Section 250R(4) of the Corporations Act

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;
- (b) a Closely Related Party of such a member.

However, the above persons may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel

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Resolution 2 - Re-election of David K Barwick as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with article 15.4 of the current Constitution of the Company and for the purposes of Listing Rule 14.5 and for all other purposes, Mr David K Barwick retires and being eligible, offers himself for re-election, to be appointed as a Director of the Company”.

Resolution 3 - Re-election of Wu Shu as a director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with article 15.4 of the current Constitution of the Company and for the purposes of Listing Rule 14.5 and for all other purposes, Mr Wu Shu retires and being eligible, offers himself for re-election, to be appointed as a Director of the Company”.

Resolution 4 – Approval of issue of Shares to Sophisticated Investors and Professional Investors

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

“That in accordance with the provisions of Listing Rule 7.1, and for all other purposes, the Shareholders approve the issue of up to a maximum of 19,500,000 Shares to Sophisticated Investors and Professional Investors without disclosure pursuant to Section 708(8), (10) and (11) of the Corporations Act at an issue price of not less than 80% of the VWAP for the Shares for the 5 Trading Days prior to the date of issue of the Shares and otherwise on the terms described in the Explanatory Memorandum.”

Terms used in this Notice of Meeting are defined in Section 10 of the accompanying Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- a person who may participate in the proposed issue of Shares and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed; and
- any associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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Resolution 5 - Approve the grant of Performance Rights to Mr Andrew Gillies under the Metallica Minerals Limited Performance Rights Plan

To consider and, if thought fit, pass the following resolution, without amendment:

“That, for the purposes of Section 208(1) of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Shareholders approve the grant to Mr Andrew Gillies of 575,000 Performance Rights (each to acquire one Share) for nil consideration, and to allot and issue Shares on the vesting of those Performance Rights, in accordance with the Performance Rights Plan and as set out in the Explanatory Memorandum.”

Terms used in this Notice of Meeting are defined in Section 10 of the accompanying Explanatory Memorandum.

Voting exclusion statement for Resolution 5

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 5 by any Director and their associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Ratification of previous issue of Securities

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

*“That in accordance with the provisions of Listing Rule 7.4, and for all other purposes, the Shareholders ratify the previous issue of securities in the Company to those persons listed and on such terms set out in the table at Section 7.3 of the Explanatory Memorandum accompanying this Notice of Meeting (**Placees**).”*

Terms used in this Notice of Meeting are defined in Section 10 of the accompanying Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by:

- the Placees; and
- any associate of the Placees.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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Special Business

Resolution 7 - Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period pursuant to Listing Rule 7.1A

To consider and, if thought fit, to pass the following resolution with or without amendment, as a Special Resolution:

“That, pursuant to and in accordance with Listing Rule 7.1A, and for all other purposes, the Shareholders approve the issue of securities of up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, over a 12 month period from the date of this Annual General Meeting, at a price not less than that determined pursuant to Listing Rule 7.1A.3 and otherwise on the terms and conditions in the Explanatory Memorandum (10% Securities).”

Terms used in this Notice of Meeting are defined in Section 10 of the accompanying Explanatory Memorandum.

Voting exclusion statement

The Company will disregard any votes cast on this Special Resolution by a person and any associates of that person who:

- may participate in the issue of the 10% Securities; or
- might obtain a benefit if this Special Resolution is passed, except a benefit solely in their capacity as a holder of Shares if the resolution is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

By order of the board



John Haley
Company Secretary

18 October 2012

Explanatory Memorandum

1. Introduction

The following information is provided to Shareholders of Metallica Minerals Limited ACN 45 076 696 092 (**Metallica** or **Company**) in connection with the business to be considered at the Annual General Meeting of Shareholders to be held at the offices of HopgoodGanim Lawyers, Level 7, Waterfront Place, 1 Eagle Street, Brisbane on Thursday 22 November 2012, commencing at 4.00 pm (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in this Explanatory Memorandum are defined in Section 10.

2. Resolution 1 – Adoption of Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report.

The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executives of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution 1 is advisory only and does not bind the Directors of the Company.

3. Resolution 2 - Re-Election of Mr David K Barwick as a Director

Under Article 15.4, the Company's Constitution requires that, at each annual general meeting of the Company, one-third of the Directors for the time being shall retire from office, provided that a Director must not hold office beyond the third annual general meeting following that Director's appointment or 3 years, whichever is longer.

Mr David K Barwick is the Director with the longest period spent in office since re-election and is therefore required to retire by rotation. A retiring Director shall be eligible for re-election.

Mr David K Barwick is an accountant by profession with over 40 years experience in the management and administration of publicly listed companies in Australia and North America. In his capacity as Chairman, Managing Director or President he has played a significant role in successfully funding and bringing into production four mining projects. As Director, David has had significant experience in the management of over thirty public companies with his main strength being in the restructuring and financing of the entities, including preparation of prospectuses and other requirements for listing on the ASX.

In addition to being Chairman of Metallica Minerals, David is also Chairman of Jumbo Interactive Limited and Planet Metals Limited.

The Directors (with Mr David K Barwick abstaining) recommend that you vote in favour of this Ordinary Resolution.

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4. Resolution 3 - Re-Election of Mr Wu Shu as a Director

Mr Wu Shu was appointed a director of the Company on 12 May 2009.

Under Article 15.4, the Company's Constitution requires that at each Annual General Meeting, one-third of the Directors in office at the date of the last Annual General Meeting stand for re-election. Mr Wu Shu retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

Mr Wu Shu is Director of Jilin Jien Nickel Industry Co. Ltd, and a Director & Managing Director of Jilin HOROC Nonferrous Metal Group Co. Ltd. Mr Wu was previously a Director, Company Secretary, Deputy Managing Director and CFO of Jilin Jien Nickel Industry Co. Ltd, and a Director of Jilin Nickel Industry Group (renamed in January 2006 as Jilin HOROC Nonferrous Metal Group Co. Ltd). Mr Wu was instrumental in Jilin Nickel's successful IPO in Shanghai stock market in 2003. His extensive experience in management and finance has enhanced Jilin Nickel's overseas strategic investment and expansion significantly.

The Directors (with Mr Wu Shu abstaining) recommend that you vote in favour of this Ordinary Resolution.

5. Resolution 4 – Approval of issue of Shares to Sophisticated Investors and Professional Investors

Under Resolution 4 the Company is seeking Shareholder approval under Listing Rule 7.1 to issue up to 19,500,000 Shares to Sophisticated Investors and Professional Investors.

Listing Rule 7.1

As noted above, Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new securities equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

In accordance with Listing Rule 7.1 the Company is now seeking under Resolution 4 the approval of Shareholders for the issue up to a maximum of 19,500,000 Shares to fund the Company's SCONI and Mineral Sands Projects. The Shares will be issued to Sophisticated Investors and Professional Investors. The issue of Shares to Sophisticated Investors and Professional Investors does not require disclosure by way of a disclosure document pursuant to Section 708(8),(10) and 11) of the Corporations Act.

If Resolution 4 is approved, it will have the effect that the Shares issued under Resolution 4 will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company can issue up to a further 15% of its capital during the next 12 months without the need to obtain further shareholder approval.

Listing Rule Information

For the purposes of Listing Rule 7.3 in respect of the Investor Options to be issued to Sophisticated Investors and Professional Investors, the Company advises that:

- (a) The maximum number of Shares to be issued is 19,500,000 Shares;
- (b) The Company will issue the Shares approved under Resolution 4 within 3 months of the date of the Annual General Meeting;
- (c) The issue price for the Shares will be not less than 80% of the VWAP for the Shares over the 5 Trading Days prior to the date of issue of the Shares;

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- (d) Subject to approval by Shareholders, the Shares will be issued to Sophisticated Investors and Professional Investors without a disclosure document pursuant to Section 708(8),(10) and (11) of the Corporations Act;
- (e) The Shares will be issued on the same terms and will rank pari passu with the Shares currently on issue;
- (f) Funds raised from the issue of the Shares under Resolution 4 are intended to be used as follows:
 - (1) fund the Company's SCONI and Mineral Sands Projects; and
 - (2) additional working capital.
- (g) The Company anticipates issuing the Shares progressively to Sophisticated Investors and Professional Investors pursuant to Section 708(8), (10) and (11) of the Corporations Act as and when they are identified (within 3 months of the date of the Annual General Meeting);
- (h) A voting exclusion statement is set out in respect of Resolution 4 in the Notice of Meeting.

The Directors recommend that you vote in favour of Resolution 4.

6. Resolution 5: The Grant of Performance Rights to the Andrew Gillies under the Performance Rights Plan

Resolution 5 (**Related Party Resolution**) is subject to the Metallica Minerals Performance Rights Plan, approved at the annual general meeting of the Company in 2011 and available from the Company upon request. The Related Party Resolution seeks Shareholder approval to issue Performance Rights to Mr Andrew Gillies.

6.1 Details about the grant of Performance Rights

(a) Performance Rights to be issued

The maximum number of Performance Rights to be granted to Mr Gillies is 575,000. The Performance Rights may convert on a one-for-one basis to Shares upon achievement of the performance conditions (described below). On the achievement of each performance condition, 115,000 Performance Rights will vest and be capable of being converted into Shares.

It is proposed to grant Mr Gillies with Performance Rights in order to provide him with reward and incentive for future services he will provide to the Company to further progress the aims and objectives of the Company.

(b) What are the Performance Conditions?

On the achievement of each of the following performance conditions, 115,000 Performance Rights will vest and be capable of being converted into Shares:

- (1) The Company raising funds in an amount and on terms to the satisfaction of the Board (in its absolute discretion);
- (2) The VWAP of the Shares during the period commencing on the date of the Annual General Meeting and ending on 30 June 2013 being at least 15% higher than the VWAP of the Shares during the period commencing on 1 July 2012 and ending on the date of the Annual General Meeting;
- (3) The Company or a subsidiary of the Company developing or enhancing the value (as determined by Board in its absolute discretion) of the Company's mineral sands projects;

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- (4) The demonstrated development by the Company (as determined by the Board in its absolute discretion) of a market for scandium and scandium products which will include (but is not limited to) the Company or a subsidiary of the Company entering into a scandium off-take agreement (which for the avoidance of doubt excludes any heads of agreement for a scandium off-take agreement or such other agreement which is subject to, or contemplates that, a separate long-form scandium off-take agreement will be entered into by the parties) on terms approved by the Board;
- (5) In the event of a demonstrated improvement to the prospects, financial position or operations of the Company or a value accretive event occurs for the benefit of Shareholders which is not already covered by the Performance Conditions in sub-paragraphs (1) to (4) above, the Board may, in its absolute discretion, resolve that a further 115,000 Performance Rights shall vest and be capable of being converted by Mr Gillies into Shares,

(collectively the **Performance Conditions**).

In respect of the Performance Conditions, if on 30 June 2013 any of these Performance Conditions have not been met, the Performance Rights attaching to those Performance Conditions only shall expire.

Any Performance Condition or any number of Performance Conditions that have been met will result in the corresponding Performance Rights vesting (**Vested Performance Rights**). Vested Performance Rights shall be exercisable for a period of one (1) month following their vesting date.

The Board considered it appropriate to have a multiple test since:

The Board believes that the multiple tests, if achieved, will demonstrably aid the creation of Shareholder value.

The Performance Conditions are measured in respect of the period the date of the AGM to 30 June 2013 other than the Performance Condition in sub-paragraph (2) above which shall be measured from 1 July 2012 to 30 June 2013.

Mr Gillies is entitled to the total Performance Rights granted to under the Related Party Resolution subject to achieving the Performance Conditions. However, Mr Gillies will lose the Performance Rights granted to them to the extent that the Performance Conditions are not met on the relevant dates set out above.

6.2 Details of the Performance Rights Plan

A summary of the terms of the Performance Rights Plan which was approved by Shareholders at the Company's 2011 AGM is available upon request from the Company free of charge.

6.3 Regulatory Requirements

(a) Regulatory requirements – Listing Rule 10.14

Listing Rule 10.14 states that an entity must not permit a director or that director's associate to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of such an issue. The notice of meeting to obtain approval must comply with either Listing Rule 10.15 or 10.15A. Listing Rule 10.15A applies as the Company wishes to issue Performance Rights (as contemplated in the Notice of Meeting) by no later than 3 years after the date of the Annual General Meeting.

(b) Regulatory requirements – Listing Rule 10.15A

For the purposes of Listing Rule 10.15A and for all other purposes, the following information is provided with regard to the Related Party Resolution:

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- (1) Mr Gillies is the Managing Director of Metallica and will be granted 575,000 Performance Rights for nil financial consideration which, on vesting, may convert to Shares on a one-for-one basis. As such, 575,000 Shares may be allotted to Mr Gillies upon the conversion of vested Performance Rights, for nil financial consideration;
- (2) Eligible Employees may participate in the Performance Rights Plan and this includes the Directors. However, the Company is not proposing, at this stage, to issue Performance Rights to the Directors other than Mr Gillies;
- (3) The proposed grant of Performance Rights to Mr Gillies will be made pursuant to the terms and conditions as set out in this Explanatory Memorandum and the Performance Rights Plan (a summary of which is available from the Company upon request);
- (4) A Voting Exclusion Statement is set out under Resolution 5 in the Notice of Meeting;
- (5) There is no loan attaching to the issue of the Performance Rights to the Managing Director;
- (6) Details of any Performance Rights issued will be published in the Company's future annual remuneration reports which relates to the period in which the Performance Rights have been issued, including that approval for this issue of securities was obtained under ASX Listing Rule 10.14;
- (7) Any Director who becomes entitled to participate in the Performance Rights Plan and who is not named in the Notice of Meeting will not participate in the Performance Rights Plan until approval is obtained under Listing Rule 10.14;
- (8) The Company will issue the Performance Rights within 2 and 3 years after Shareholder approval is granted pursuant to the Related Party Resolutions;
- (9) The Performance Rights will be issued to the Mr Gillies as contemplated in this Notice of Meeting for nil financial consideration. Any Performance Rights which vest will be capable of being converted into Shares for nil consideration. The Company will issue the resultant Shares at the closing ASX market price on the trading day immediately prior to the date of issue.

Performance Rights issued

There are currently no Performance Rights on issue.

6.4 Legislative Requirements – Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition (including where shareholder approval is obtained).

The Related Party Resolution if passed, will confer financial benefits on the recipient (being related parties of the Company) and the Company seeks to obtain Shareholder approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

(a) Related Party

The related party to whom the Related Party Resolution would permit the financial benefit to be given is Mr Gillies being a Director of the Company.

(b) The nature of the financial benefit

The nature of the proposed financial benefit to be given is:

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- (1) the grant of 575,000 Performance Rights to Mr Gillies as referred to in Resolution 5;
 - (2) the Performance Rights shall be granted for nil consideration;
 - (3) the Performance Rights shall be capable of conversion into Shares in accordance with the terms of the Performance Rights Plan provided that the Performance Conditions have been met and such Shares on issue will rank equally with other Shares currently on issue.
- (c) Directors' Views for putting forward Resolution 5

With respect to Resolution 5, the Directors (with the exception of Mr Gillies) have formed the view that the resolution be put to Shareholders for the following reasons:

- (1) the grant of the Performance Rights as proposed to Mr Gillies will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
 - (2) the Performance Rights are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
 - (3) in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors (with the exception of Mr Gillies) considered that the incentive provided a cost effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the potentially dilutionary impact of the issue of Shares on the conversion of the Performance Rights. It should be noted however that one of the Performance Conditions to the issue of Shares on the conversion of Performance Rights is the relative increase in total Shareholder return when compared to the Metals & Mining Index.
- (d) Managing Directors' Interest and other remuneration

Mr Gillies has a material personal interest in the outcome of Resolution 5, as it is proposed that Performance Rights be granted to him.

Excluding the Performance Rights to be issued to Mr Gillies pursuant to Resolution 5, Mr Gillies (and entities associated with him) holds 10,210,000 Shares and 1,000,000 unlisted options. Please refer to the table below under the heading "Dilutionary Effect" which indicates the holdings of Mr Gillies (and entities associated with him).

Other than the Performance Rights to be issued to Mr Gillies pursuant to Resolution 5, Mr Gillies shall receive remuneration of \$330,000 (inclusive of superannuation) per annum (total cost to the Company) from the Company for his services as the Managing Director. In addition, Mr Gillies may be entitled to other cash based incentives payable based on the performance of the Company and its subsidiaries, or at the discretion of the Board.

- (e) Valuation

The Performance Rights are not currently quoted on the ASX and as such have no market value. The Performance Rights each grant the holder a right of grant of one ordinary Share in the Company upon vesting of the Performance Rights for nil consideration. Accordingly, the Performance Rights may have a present value at the date of their grant.

Various factors impact upon the value of Performance Rights including:

- (1) the period outstanding before the expiry date of the Performance Rights;
- (2) the underlying price or value of the securities into which they may be converted;

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- (3) the proportion of the issued capital as expanded consequent upon conversion of the Performance Rights into Shares (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest); and
- (4) the value of the shares into which the Performance Rights may be converted.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model valuation formula and the Monte Carlo simulation).

The Company has commissioned an independent valuation of the Performance Rights, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass the Related Party Resolutions and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using the Monte Carlo simulation which the most relevant methodology to calculating the value of the Performance Rights to be issued under the Related Party Resolutions.

Inherent in the application of the Monte Carlo simulation are a number of inputs, some of which must be assumed. The data relied upon in applying the Monte Carlo simulation was:

- (1) a market price of Shares of 29 cents has been used which is the closing price on 10 October 2012 which is the Trading Date immediately before the valuation was carried out;
- (2) a volatility measure of 65.128%;
- (3) a risk-free interest rate of 2.45% for the Performance Rights proposed to be issued to Mr Gillies; and
- (4) a dividend yield of 0.00%.

Based on the independent valuation of the Performance Rights, the Company agrees that the total value of the Performance Rights to be issued to Mr Gillies pursuant to Resolution 5 is \$116,503.

- (f) Any other information that is reasonably required by Shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements:

The Performance Rights valuation noted above is based on a market price per Share of 29 cents which is the closing trading price on 10 October 2012 which is the Trading Date immediately before the valuation was carried out.

There is a possibility that the market price of the Shares will change up to the date of the Annual General Meeting.

Trading history

In the 12 months prior to the valuation in Section 6.4(e), the Company's trading history is as follows:

- (1) the highest trading price was 35.35 cents; and
- (2) the lowest trading price was 19.5 cents.

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The volume weighted average price of the Shares in the 12 months period prior to the valuation in Section 6.4(e) is 25.76 cents.

The most recent trading price of the Shares on the close of trading on 16 October 2012 was \$0.31.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Performance Rights to the Directors is the potentially diluted impact on the issued Share capital of the Company (in the event that the Performance Rights are converted). Until converted, the issue of the Performance Rights will not impact upon the number of Shares on issue in the Company. To the extent that upon their conversion the dilutionary impact caused by the issue of the Shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled Directors on appropriate incentive terms.

It is also considered that the potential increase of value in the Performance Rights is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Performance Rights. No GST will be payable by the Company in respect of the grant of the Performance Rights (or if it is then it will be recoverable as an input credit).

AASB – Share Based Payment, requires that reporting entities must recognize services acquired in a share-based payment transaction as the services are received. The issue of Performance Rights is in return for services provided to the Company therefore these services are to be recognised.

The value of the services acquired by the Company is to be measured at the fair value of the equity instrument granted, where fair value of the services provided cannot be estimated reliably. As the issue of Performance Rights is in consideration of future services, the fair value of the services cannot be reliably measured. As such, the value of the Performance Rights to be issued needs to be used as the reliable measurement of the services provided.

As the Performance Rights will not be listed on the ASX and will not be tradeable, the market value of the Performance Rights cannot be readily determined from any sales data. Therefore, an option pricing model is necessary to provide a value for the performance rights issued.

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Dilutionary Effect

If all of the Performance Rights proposed to be issued under Resolution 5 are converted by Mr Gillies, the following will be the effect on the current issued capital of the Company:

Shareholder	Current Holding ¹	% of total Shares ²	Shares issued on conversion of Performance Rights	Maximum Shares issued under Resolution 4	Maximum Shares issued under Resolution 7	Holding	% of total Shares
Directors							
Andrew Gillies	10,210,000	7.71%	575,000			10,785,000	6.51%
John Haley	25,000	0.02%				25,000	0.02%
David Barwick	0					0	
Barry Casson	0					0	
Wu Shu	0					0	
Other Shareholders	122,178,743	92.31%		19,500,000	13,235,771	154,914,514	93.47%
Total	132,357,710	100.00%				165,668,481	100.00%

Notes:

- (1) This assumes that none of the current options on issue in the Company are exercised and no further securities are issued.
- (2) This assumes that there are currently 132,357,710 Shares on issue.
- (3) This assumes that the maximum number of Shares that can be issued under Resolutions 4, 5 and 6 (if they are approved) have been issued.

7. Resolution 6 – Ratification of previous issue of Securities

7.1 Securities issued by the Company in the previous 12 months

In the previous 12 months the Company has issued securities without Shareholder approval set out in Section 7.3. These securities were issued within the capacity of the Company to issue not more than 15% of its capital in any 12 months period without Shareholder approval under Listing Rule 7.1.

Pursuant to Resolution 6, the Company is seeking the ratification by the Shareholders of the issue of the securities noted in the tables below (in section 7.3) and on the terms and conditions listed in those tables.

7.2 Listing Rule 7.4 – Ratification of issue of Securities

Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders. Securities issued with shareholder approval under ASX Listing Rule 7.1 do not count towards the 15% limit.

ASX Listing Rule 7.4 provides that an issue of securities made without prior approval under ASX Listing Rule 7.1 can be treated as having been made with that approval if shareholders subsequently approve it.

In accordance with Listing Rule 7.4, Shareholder approval is sought under Resolution 6 to ratify the issue of the securities set out in the table in Section 7.3

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If Resolution 6 is approved it will have the effect of refreshing the Company's ability to issue up to a further 15% of its capital during the next 12 months without the need to obtain further Shareholder approval.

7.3 Listing Rule Information

(a) Shares

For the purposes of Listing Rule 7.5, the Company advises that no Shares were previously issued under the Company's 15% limit in the past 12 months.

(b) Options

For the purposes of Listing Rule 7.5, the Company advises of the following in relation to the Options previously issued:

Name of Recipient	No. of Options Issued	Exercise Price of Options	Date of Issue	Expiry Date of Options	Intended use of funds
Tulla Resources Group Pty Ltd	5,000,000	\$0.40	2 April 2012	2 April 2014	The Company did not raise any funds. Options were issued in payment of fees under a facility agreement
Total	5,000,000				

By approving Resolution 6 and ratifying of the previous issue of Options to those persons noted in the tables above will permit the Company to rely on Listing Rule 7.1 to raise further capital if required.

The Directors recommend that you vote in favour of Resolution 6.

Special Business

8. Resolution 7 – Approval for the Company to issue an additional 10% of the issued capital of the Company over a 12 month period

8.1 Introduction

Pursuant to Resolution 7, the Company is seeking shareholder approval to issue an additional 10% of issued capital over a 12 month period in accordance with Listing Rule 7.1A. If passed, this resolution will allow the Company to issue and allot up to 13,235,771 Shares (**10% Securities**) each at an issue price of at least 75% of the volume weighted average price (**VWAP**) for the Company's quoted class of Securities (calculated over the last 15 days on which trades in the quoted Securities are recorded, and immediately before the date on which the price at which the Shares are to be issued is agreed, or if not within 5 trading days of that date, the date on which the Shares are issued) (**Issue Price**).

This approval is sought pursuant to Listing Rule 7.1A which recently came into effect. Under newly issued Listing Rule 7.1A, small and mid cap listed entities that meet the eligibility threshold and have obtained the approval of their ordinary Shareholders by special resolution at the annual general meeting (**AGM**), are permitted to issue an additional 10% of issued capital over a 12 month period from the date of the AGM (**Additional 10% Issue**). The Additional 10% Issue under Listing Rule 7.1A is in addition to the ability of the Company to issue 15% of its issued capital without Shareholder approval over a 12 month period pursuant to Listing Rule 7.1. The Company may issue the 10%

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Securities to raise funds for the Company and as non-cash consideration (further details of which are set out below).

Funds raised from the issue of 10% Securities are intended to be used as follows:

- fund the Company's SCONI and Mineral Sands Project; and
- working capital.

8.2 Listing Rule 7.1A

(a) General

(1) Eligibility

An entity is eligible to undertake an Additional 10% Issue if at the time of its AGM it has a market capitalisation of \$300 million or less and it is not included in the S&P/ASX300 Index.

As required by the Listing Rules, the Company's market capitalisation will be based on the closing price on the Trading Day before the AGM, and will be released by the Company to the ASX at that time. The calculation of market capitalisation will be based on the Closing Price of the Shares in the main class of Shares of the Company, on the last Trading Day on which trades in the Shares were recorded before the date of the AGM, multiplied by the number of Shares on issue (in that main class, but excluding restricted securities and securities quoted on a deferred settlement basis).

For illustrative purposes only, on 16 October 2012 the Company's market capitalisation is \$10,030,890.10 based on the Closing Trading Price on that date.

The Company is not included in the S&P/ASX300 Index as at the time of issue of this Notice of Meeting and the Company does not expect that it will be included in the S&P/ASX300 Index at the date of the Annual General Meeting.

The Company is therefore an eligible entity and able to undertake an Additional 10% Issue under Listing Rule 7.1A.

In the event that the Company is no longer an eligible entity to undertake an Additional 10% Issue after the Company has already obtained ordinary security holders' approval, the approval obtained will not lapse and the Company will still be entitled to undertake the Additional 10% Issue.

(2) Shareholder approval

The ability to issue the 10% Securities under the Additional 10% Issue is conditional upon the Company obtaining Shareholder approval by way of a Special Resolution at the Annual General Meeting. Pursuant to Listing Rule 7.1A, no Shares will be issued until and unless this Special Resolution is passed at Annual General Meeting.

(b) Issue Period – Listing Rule 7.1A.1

Shareholder approval of the Additional 10% Issue under Listing Rule 7.1A is valid from the date of the Annual General Meeting at which the approval is obtained and expires on the earlier to occur of:

- (1) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or
- (2) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking)

or such longer period if allowed by ASX.

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If approval is given for the Additional 10% Issue at the Annual General Meeting on 22 November 2012 then the approval will expire, unless there is a significant change to the Company's Business, on 22 November 2013.

(c) **Calculation for Additional 10% Issue – Listing Rule 7.1A.2**

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at AGM may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Shares calculated in accordance with the following formula:

(A x D) – E

A is the number of Shares on issue 12 months before the date of issue or agreement:

- (1) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (2) plus the number of partly paid Shares that became fully paid in the 12 months;
- (3) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- (4) less the number of fully paid Shares cancelled in the 12 months.

D is 10 percent.

E is the number of Shares issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(d) **Listing Rule 7.1A.3**

(1) **Shares**

Shares issued under the Additional 10% Issue must be in the same class as an existing quoted class of Shares of the Company.

The Company presently has 132,357,710 of Shares as at the date of this notice. However, the Company is only seeking approval to issue ordinary Shares under the Additional 10% Issue in addition to its 15% capacity permitted under Listing Rule 7.1.

(2) **Minimum Issue Price**

The issue price for the 10% Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Shares in the same class calculated over the 15 Trading Days immediately before:

- (A) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (B) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (A) above, the date on which the 10% Securities are issued.

As required by the Listing Rules, the Company's market capitalisation based on the closing price on the Trading Day before the Annual General Meeting will be released by the Company to the ASX at that time.

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(e) **Information to be given to ASX – Listing Rule 7.1A.4**

If Resolution 7 is passed and the Company issues any 10% Securities under Listing Rule 7.1A, the Company will give to ASX:

- (1) a list of allottees of the 10% Securities and the number of 10% Securities allotted to each (this list will not be released to the market); and
- (2) the following information required by rule 3.10.5A, will be released to the market on the date of issue:
 - (A) details of the dilution to the existing holders of Shares caused by the issue;
 - (B) where the Shares are issued for cash consideration, a statement of the reasons why the Company issued the Shares as a placement under rule 7.1A and not as (or in addition to) a pro rata issue or other type of issue in which existing Shareholders would have been eligible to participate;
 - (C) details of any underwriting arrangements, including any fees payable to the underwriter; and
 - (D) any other fees or costs incurred in connection with the issue.

(f) **Listing Rule 7.1 and 7.1A**

The ability of an entity to issue Shares under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 132,357,710 Shares, and therefore has the capacity to issue:

- (1) 19,153,657 Shares under Listing Rule 7.1; and
- (2) 13,235,771 Shares under Listing Rule 7.1A.

The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2 (as above)

8.3 **Specific Information required by Listing Rule 7.3A**

(a) **Minimum Price of securities issued under Listing Rule 7.1A – Listing Rule 7.3A.1**

Pursuant to and in accordance with Listing Rule 7.3A.1, the 10% Securities issued pursuant to approval under Listing Rule 7.1A must be not less than 75% of the VWAP for the Company's Shares over the 15 Trading Days immediately before:

- (1) the date on which the price at which the 10% Securities are to be issued is agreed; or
- (2) if the 10% Securities are not issued within 5 Trading Days of the date in paragraph (1) above, the date on which the 10% Securities are issued.

The Company intends to issue the 10% Securities in accordance with Listing Rule 7.1A and will disclose to the ASX the Issue Price on the date of issue of the 10% Securities.

(b) **Risk of economic and voting dilution – Listing Rule 7.3A.2**

As provided by Listing Rule 7.3A.2, if the Additional 10% Issue is passed by Shareholders and the Company issues the 10% Securities, there is a risk of economic and voting dilution to the existing ordinary security holders of the Company. The Company currently has on issue 132,357,710 Shares. Upon the Additional 10% Issue, the Company will have approval to

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issue an additional 13,235,771 Shares. (The exact number of additional Shares to be issued under the Additional 10% Issue will be calculated in accordance with the formula contained in Listing Rule 7.1A.2 and set out above). Any issue of 10% Securities will have a dilutive effect on existing Shareholders.

There is a specific risk that:

- (1) the market price for the Company's Shares may be significantly lower on the date of the Issue than it is on the date of the AGM; and
- (2) the 10% Securities may be issued at a price that is at a discount to the market price for the Company's Shares on the issue date,

which may have an effect on the amount of funds raised by the issue of the 10% Securities.

As required by Listing Rule 7.3A.2, Table 2 below shows the economic and voting dilution effect, in circumstances where the issued capital has doubled and the Market Price of the Shares has halved. Table 2 also shows additional scenarios in which the number of issued capital has increased (by both 50% and 100%) and the Market Price of the Shares has:

- decreased by 50%; and
- increased by 100%.

Table 2

Issued Capital	50% decrease in Market Price 14.5 cents		Market Price 29 cents		100% increase in Market Price 58 cents	
	10 % Voting Dilution (Shares)	Capital Raised	10 % Voting Dilution (Shares)	Capital Raised	10 % Voting Dilution (Shares)	Capital Raised
Present Issued Capital = 132,357,710 Shares	13,235,771	\$1,919,186.80	13,235,771	\$3,838,373.59	13,235,771	\$7,676,747.18
50% Increase in Capital = 198,536,565 Shares	19,853,657	\$2,878,780.27	19,853,657	\$5,757,560.53	19,853,657	\$11,515,121.06
100% Increase in Capital = 264,715,420 Shares	26,471,542	\$3,838,373.59	26,471,542	\$7,676,747.18	26,471,542	\$15,353,494.36

Assumptions and explanations

- The Market Price is 29 cents based on the closing price of the Shares on ASX on 10 October 2012 prior to the lodgement of this Notice of Meeting with ASIC.
- The above table only shows the dilutionary effect based on the Additional 10% Issue and not the 15% under Listing Rule 7.1

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- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.
- The Company issues the maximum number of 10% Securities available to it under the Additional 10% Issue.
- The Issued Capital has been calculated in accordance with the formula in Listing Rule 7.1A(2) as at 10 October 2012
- The issue price of the 10% Securities used in the table does not take into account the discount to the Market Price (if any).

(c) **Final date for issue – Listing Rule 7.3A.3**

As required by Listing Rule 7.3A.3, the Company will only issue and allot the 10% Securities during the 12 months after the date of this Annual General Meeting which the Company anticipates will be 22 November 2012. The approval under Resolution 7 for the issue of the 10% Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities of the Company) or Listing Rule 11.2 (the disposal of the main undertaking of the Company) before the anniversary of the Annual General Meeting.

(d) **Purpose – Listing Rule 7.3A.4**

As noted above, the purpose for which the 10% Securities may be issued include to raise funds for the Company and as non-cash consideration (further details of which are set out below). Funds raised from the issue of 10% Securities are intended to be used as follows:

- fund the Company's SCONI and Mineral Sands Projects; and
- working capital.

(e) **Shares Issued for Non-cash consideration – Listing Rule 7.3A.4**

The Company may issue 10% Securities for non-cash consideration, such as the acquisition of new assets or investments. If the Company issues Shares for non-cash consideration, the Company will release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the Shares complies with Listing Rule 7.1A.3.

(f) **Company's Allocation Policy – Listing Rule 7.3A.5**

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue of 10% Securities pursuant to the Additional 10% Issue. The identity of the allottees of Shares will be determined on a case-by-case basis having regard to the factor including but not limited to the following:

- (1) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing Shareholders can participate;
- (2) the effect of the issue of the 10% Securities on the control of the Company;
- (3) the financial situation and solvency of the Company; and
- (4) advice from corporate, financial and broking advisers (if applicable).

The allottees of the 10% Securities under the Additional 10% Issue have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

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Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the Additional 10% Issue will be the vendors of the new assets or investments.

(g) **Company not previously obtained shareholder approval under listing rule 7.1A**

Listing Rule 7.1A came into effect on 22 November 2012 and the Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

(h) **Voting Exclusion Statement**

A voting exclusion statement is included in this Notice. At the date of the Notice, the proposed allottees of any 10% Securities are not as yet known or identified. In these circumstances (and in accordance with the note set out in Listing Rule 14.11.1 relating to Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of the 10% Securities), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted and there is no reason to exclude their votes.

9. Voting entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7pm (Sydney time) on Tuesday 20 November 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

10. Interpretation

The following terms used in the Notice of Meeting and the Explanatory Memorandum are defined as follows:

AGM means annual general meeting;

ASIC means the Australian Securities & Investments Commission;

ASX means the ASX Limited;

Business Day means a day on which all banks are open for business generally in Brisbane;

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of the definition of closely related party;

Company means Metallica Minerals Limited ACN 076 696 092 (ASX: MLM);

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Constitution means the constitution of the Company from time to time;

Corporations Act means the *Corporations Act* 2001 (Cth);

Directors or Board means the board of directors of the Company from time to time;

Eligible Entity has the meaning given to that term in the Listing Rules;

Explanatory Memorandum means the explanatory statement accompanying this Notice;

Key Management Personnel has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity;

Listing Rules means the official listing rules of the ASX as amended from time to time;

Market Price has the meaning given to that term in the Listing Rules;

Meeting means the Annual General Meeting to be held on 22 November 2012 as convened by the accompanying Notice of Meeting;

Metals and Mining Index means the S&P/ASX 300 Metals and Mining Index;

Notice of Meeting or **Notice** means the notice of meeting giving notice to shareholders of the Meeting, accompanying this Explanatory Memorandum;

Ordinary Resolution means a resolution passed by more than 50% of the votes at a general meeting of shareholders;

Resolutions means the resolutions set out in the Notice of Meeting;

Shares means fully paid ordinary shares in the Company from time to time;

Shareholder means a shareholder of the Company;

Special Resolution means a resolution:

- (a) of which notice has been given as set out in paragraph 249L(1)(c) of the Corporations Act; and
- (b) that has been passed by at least 75% of the votes cast by members entitled to vote on the resolution.

Subsidiaries has the meaning given to that term in the Corporations Act;

Trading Day has the meaning given to that term in the Listing Rules.

Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to: John Haley Ph: 07 3249 3000